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August 9, 2018

CONSOLIDATED EARNINGS REPORT FOR THE FIRST QUARTER OF FISCAL 2018 [Japanese GAAP]

Company Name: BML, Inc.
Stock Listing: Tokyo Stock Exchange
Stock Code: 4694
URL: <http://www.bml.co.jp>
Representative: Kensuke Kondo, President and Representative Director
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Scheduled Date for Filing of Quarterly Report: August 14, 2018
Scheduled Date for Payment of Dividends: -
Creation of Supplementary Explanatory Materials: None
Holding of Explanatory Meeting: None

(Rounded down to nearest million yen)

1. Results for the First Quarter of Fiscal 2018 (April 1, 2018–June 30, 2018)**(1) Consolidated business results**

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
1Q of FY2018	29,902	3.0	3,238	13.6	3,315	10.4	2,080	11.1
1Q of FY2017	29,029	2.0	2,849	(2.8)	3,002	(2.4)	1,872	(4.1)

(Note) Comprehensive income: 1Q of FY2018 ¥2,195 million / 7.5% 1Q of FY2017 ¥2,041 million / -1.4%

	Profit attributable to owners of parent per share Yen	Profit attributable to owners of parent per share (diluted) Yen
1Q of FY2018	48.86	48.78
1Q of FY2017	44.06	43.91

(2) Consolidated financial position

	Total assets ¥ million	Net assets ¥ million	Equity ratio %
As of June 30, 2018	110,985	77,543	66.6
As of March 31, 2018	109,438	76,222	66.3

(Reference) Equity capital: As of June 30, 2018 ¥73,865 million As of March 31, 2018 ¥72,521 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2017	—	17.50	—	17.50	35.00
FY2018	—				
FY2018 (forecast)		19.00	—	19.00	38.00

(Note) Revision of dividend projection from recently announced figures: None

3. Consolidated cumulative earnings forecast for the fiscal year ending March 31, 2019 (April 1, 2018–March 31, 2019)

(% indicates year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	Yen
Full year	115,100	1.4	9,550	2.3	10,050	2.4	6,130	2.4	143.97

(Note) Revision from recently projected results: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

Increases: – Decreases: –

(2) Adoption of specific accounting methods in preparing quarterly financial statements: None

(3) Changes in accounting policies and changes or revisions in accounting estimates

- 1) Changes in accounting policies in conjunction with revisions to accounting standards: None
- 2) Other changes: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Number of outstanding stocks (common stock)

a. Number of outstanding stocks at the end of the period (treasury stocks included)

As of June 30, 2018	44,014,726	As of March 31, 2018	44,014,726
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b. Number of treasury stocks at the end of the period

As of June 30, 2018	1,434,394	As of March 31, 2018	1,436,916
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c. Average number of shares during the period

As of June 30, 2018	42,579,090	As of June 30, 2017	42,488,388
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* The quarterly financial results are not subject to quarterly review by a certified public accountant or an audit firm.

* Disclaimer regarding appropriate use of forecasts and related points of note

Earnings forecasts contained in these materials are based on certain assumptions judged to be reasonable and on the information available when the forecasts were made. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. Please refer to “(3) Consolidated earnings forecasts and others” under “1. Qualitative information on operating results for quarter under review” on page 5 of this earnings report concerning financial forecasts such as the assumptions used for financial forecasts, factors that could cause these assumptions to change, and cautionary notes.

1. Qualitative information on operating results for quarter under review

(1) Operating results

Even in the contract clinical testing business, which should curb the ongoing rise in national healthcare costs, various reforms to healthcare systems are being implemented. Fiscal 2018 is a designated year for the biennial revision of medical service fees under the national health insurance (NHI) system, and although the NHI points used to set fees for medical services were increased, fees for clinical testing were lowered. The business environment remains harsh due to continuing competition among companies.

In fiscal 2018, which was the first year of the Seventh Medium-Term Management Plan (covering fiscal 2018 through fiscal 2020), the BML Group will continue to work toward our vision of “becoming the most trusted choice in the medical world” from the Sixth Medium-Term Management Plan and improve quality and services.

In these conditions, net sales for the first quarter of the fiscal year under review were ¥29,902 million, an increase of 3.0% year on year, and operating income was ¥3,238 million, an increase of 13.6% year on year. Ordinary income increased at 10.4% year on year to ¥3,315 million, and profit attributable to owners of parent increased 11.1% to ¥2,080 million. With regard to net sales, revenue increased due to solid new customer acquisitions in the clinical testing business and good progress with the sales numbers in the medical informatics business, as in the previous fiscal year. In terms of profits, income increased due to the effect of higher revenue and a review of fees.

Conditions by business segment are described below.

In the clinical testing business, the BML Group strengthened efforts to new customer acquisition. In addition, we sought to enhance performance, carrying out marketing to stimulate increased sales to existing users for mainly priority testing items and other strategies. As a result, net sales in the clinical testing business increased 2.7% year on year.

In the food hygiene business, which belongs to the other testing business, the new customer acquisition of intestinal bacteria testing was solid and JFS standard certification operations increased with mandatory implementation of HACCP at BML Food Science Solutions, Inc. This resulted in good performance overall. As a result, sales in the other testing business increased 8.6% year on year.

As a consequence of the above, net sales in the testing business overall were ¥28,424 million, an increase of 2.9% year on year.

In the medical informatics business, strengthened relationships with distributors led to good progress with the number of sales of the Qualis electronic patient chart system for clinics and the Medical Station (MS) system. As a result, net sales in the medical informatics business increased by 11.2% year on year.

In other businesses, decreased sales for the Okayama Medical Laboratory Company’s dispensing pharmacy business, due to NHI drug price reduction, led to decreased net sales in other businesses by 8.4% year on year.

(2) Financial position

Assets, Liabilities and Net Assets

At the end of the first quarter of the consolidated fiscal year under review, total assets amounted to ¥110,985 million, a ¥1,546 million increase over the end of the previous fiscal year, net assets totaled ¥77,543 million, up ¥1,320 million over the end of the previous fiscal year, and the equity ratio was 66.6%, a 0.3% increase over the end of the previous fiscal year.

As for the main items contributing to an increase or decrease, in the assets section, under current assets, notes and accounts receivable–trade increased by ¥1,740 million. In net assets, retained earnings increased by ¥1,335 million.

(3) Consolidated earnings forecasts and others

The Company has not revised its initial forecasts for consolidated results for the full year ending March 31, 2019.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	46,327	46,344
Notes and accounts receivable–trade	20,550	22,290
Merchandise and finished goods	290	319
Work in process	590	579
Raw materials and supplies	2,081	2,088
Other current assets	1,076	1,086
Allowance for doubtful accounts	(69)	(86)
Total current assets	70,848	72,623
Non-current assets		
Property, plant and equipment		
Land	13,093	13,093
Others, net	15,606	15,749
Total property, plant and equipment	28,700	28,843
Intangible assets		
Other intangible assets	3,714	3,662
Total intangible assets	3,714	3,662
Investments and other assets		
Other	6,258	5,937
Allowance for doubtful accounts	(82)	(82)
Total investments and other assets	6,175	5,854
Total non-current assets	38,589	38,361
Total assets	109,438	110,985

As of March 31, 2018 As of June 30, 2018

Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,188	15,015
Provision for bonuses	2,962	2,518
Other current liabilities	9,615	9,316
Total current liabilities	26,767	26,850
Non-current liabilities		
Provision for directors’ retirement benefits	191	185
Net defined benefit liability	3,897	3,892
Other non-current liabilities	2,359	2,513
Total non-current liabilities	6,447	6,591
Total liabilities	33,215	33,441
Net assets		
Shareholders’ equity		
Capital stock	6,045	6,045
Capital surplus	6,668	6,668
Retained earnings	59,531	60,866
Treasury stock	(1,164)	(1,162)
Total shareholders’ equity	71,080	72,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	777	798
Remeasurements of defined benefit plans	662	649
Total accumulated other comprehensive income	1,440	1,447
Subscription rights to shares	78	75
Non-controlling interests	3,622	3,601
Total net assets	76,222	77,543
Total liabilities and net assets	109,438	110,985

(2) Consolidated statements of income and consolidated statements of comprehensive income**Consolidated statements of income**

(millions of yen)

	1st Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	1st Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Net sales	29,029	29,902
Cost of sales	18,271	18,535
Gross profit	10,758	11,367
Selling, general and administrative expenses	7,908	8,128
Operating income	2,849	3,238
Non-operating income		
Real estate rent	16	15
Royalty income	27	20
Other	130	61
Total non-operating income	173	96
Non-operating expenses		
Interest expense	10	9
Rent cost of real estate	10	9
Other	0	0
Total non-operating expenses	21	19
Ordinary income	3,002	3,315
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on retirement of non-current assets	20	4
Other	0	—
Total extraordinary losses	20	4
Profit before income taxes	2,981	3,313
Income taxes—current	761	794
Income taxes—deferred	241	330
Total income taxes	1,003	1,125
Profit	1,978	2,188
Profit attributable to non-controlling interests	106	108
Profit attributable to owners of parent	1,872	2,080

Consolidated statements of comprehensive income

(millions of yen)

	1st Quarter Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	1st Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
Profit	1,978	2,188
Other comprehensive income		
Valuation difference on available-for-sale securities	54	20
Remeasurements of defined benefit plans, net of tax	9	(13)
Total other comprehensive income	63	6
Comprehensive income	2,041	2,195
Breakdown		
Comprehensive income attributable to owners of parent	1,935	2,086
Comprehensive income attributable to non-controlling interests	106	108

(3) Notes on operating results for quarter under review

(Notes on Premise of Going Concern)

First three months of the fiscal year ending March 31, 2018 (April 1, 2018 to June 30, 2018)

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

First three months of the fiscal year ending March 31, 2018 (April 1, 2018 to June 30, 2018)

None

3. Supplementary information

Breakdown of Sales

Testing		1Q of FY2017 (April 1, 2017 to June 30, 2017)		1Q of FY2018 (April 1, 2018 to June 30, 2018)		Change (%)
		¥ million	% of total	¥ million	% of total	
Testing business	Clinical testing business					
	Biochemical tests	11,809	40.7	11,952	40.0	1.2
	Hematological tests	2,503	8.6	2,508	8.4	0.2
	Immunological tests	6,022	20.7	6,404	21.4	6.3
	Microbiological tests	1,656	5.7	1,650	5.5	(0.4)
	Pathological tests	1,842	6.4	1,842	6.2	(0.0)
	Other tests	2,844	9.8	3,035	10.2	6.7
	(Clinical testing business subtotal)	26,680	91.9	27,395	91.6	2.7
	Other testing business	947	3.3	1,029	3.5	8.6
Testing business subtotal	27,627	95.2	28,424	95.1	2.9	
Medical informatics business	992	3.4	1,102	3.7	11.2	
Other businesses	409	1.4	375	1.2	(8.4)	
Total	29,029	100.0	29,902	100.0	3.0	

(Notes) Consumption taxes are not included in the above amounts.